



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 27, 2005

H.R. 3205 **Patient Safety and Quality Improvement Act of 2005**

As ordered reported by the House Committee on Energy and Commerce on July 20, 2005

SUMMARY

H.R. 3205 would establish certification procedures for patient safety organizations (PSOs) and require the Secretary of Health and Human Services to maintain a list of certified PSOs. Those PSOs would collect patient safety data voluntarily submitted by health care providers for inclusion in a network of databases. The bill would require the Secretary to develop a uniform database, establish national standards for the collection and maintenance of patient safety data, and provide technical assistance to PSOs. The bill also would establish privacy protections and impose civil monetary penalties for violations of those protections. The bill would require two reports, including a report by the Government Accountability Office (GAO) on the overall effectiveness of the program and a report by the Secretary on effective strategies for increasing patient safety.

CBO estimates that implementing H.R. 3205 would cost \$5 million in 2006 and \$58 million over the 2006-2010 period, assuming the appropriation of the necessary amounts. CBO estimates that receipts from fines for violation of the privacy protections, which are recorded as federal revenues, would amount to less than \$500,000 a year.

H.R. 3205 would preempt state laws that govern the disclosure of information provided to patient safety organizations. While that preemption would be an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), it would impose no requirements on states that would result in additional spending; thus, the threshold established by UMRA would not be exceeded (\$62 million in 2005, adjusted annually for inflation).

The bill would impose a private-sector mandate on health care providers, as defined in UMRA, by not allowing them to use the fact that an employee reported patient safety data in an adverse employment action against an employee. That mandate would not have any direct cost, however, because patient safety data as defined in the bill does not exist under current law.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated cost of H.R. 3205 is shown in the following table. The bill could also result in an increase in revenues from fines, but CBO estimates that any such increase would be less than \$500,000 a year. The costs of this legislation fall within budget functions 550 (health) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	15	13	14	14	14
Estimated Outlays	5	11	14	14	14

BASIS OF ESTIMATE

Spending Subject to Appropriation

H.R. 3205 would expand the current duties of the Agency for Healthcare Research and Quality (AHRQ). Although not specifically named, the AHRQ is the most likely agency within the Department of Health and Human Services to carry out the provisions of the bill. The new duties would include providing technical assistance to PSOs that have (or are developing) systems for reporting medical errors. AHRQ also would oversee the certification and listing of PSOs, which collect patient safety data from health care providers. (PSOs are private or public organizations that conduct activities to improve patient safety and the quality of health care delivery.) PSOs would not receive funding under this bill.

In addition, the bill would require AHRQ to develop and maintain a network of databases to collect, support, and coordinate the analysis of patient safety data that is reported on a voluntary basis. Based on information from AHRQ, CBO expects that these tasks would require increased staff for providing assistance to PSOs, oversight of PSOs, and maintenance of the patient safety database. CBO estimates that the agency would need appropriations of \$15 million in 2006 and about \$70 million over the 2006-2010 period to carry out those responsibilities. We estimate that the agency would spend about \$5 million in 2006 (primarily on the development of the patient safety database) and \$58 million over the 2006-2010 period, assuming the necessary amounts are appropriated.

Revenues

Because those prosecuted and convicted for violation of the bill's privacy provisions could be subject to civil monetary penalties, the federal government might collect additional fines if the bill is enacted. Collections of civil fines are recorded in the budget as governmental receipts (i.e., revenues). CBO estimates that any additional receipts would be less than \$500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3205 would preempt any state freedom of information law or other laws governing subpoena power or civil or administrative procedure that require the disclosure of information provided by a health care provider to a certified patient safety organization. That preemption would be an intergovernmental mandate as defined in UMRA because it would limit the application of those state laws. The bill also would establish a number of exceptions to the preemption of state and local laws, thus narrowing the scope of the mandate. CBO estimates that this mandate would impose no requirement on states that would result in additional spending; thus, the threshold as established by UMRA would not be exceeded (\$62 million in 2005, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose a private-sector mandate on health care providers, as defined in UMRA, by not allowing them to use the fact that an employee reported patient safety data in an adverse employment action against the employee. This mandate would not have any direct cost, however, because patient safety data as defined in the bill does not exist under current law.

PREVIOUS CBO ESTIMATE

On March 31, 2005, CBO transmitted an estimate for S. 544, the Patient Safety and Quality Improvement Act of 2005, as ordered reported by the Senate Committee on Health, Education, Labor, and Pensions. The scope of work under S. 544 is similar to H.R. 3205, and CBO's two cost estimates are nearly identical.

ESTIMATE PREPARED BY:

Federal Costs: Julia M. Christensen and Camile Williams
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Peter Richmond

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis